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Dominion Statistician:	R.H. Coats, B.A., F.S.S. (Hon.), F.R.S.C.
Chief, Internal Trade Branch:	Herbert Marshall, B.A., F.S.S.
Prices Statistician:	H.F. Greenway, M.A.

EXCHANGE, 1931.

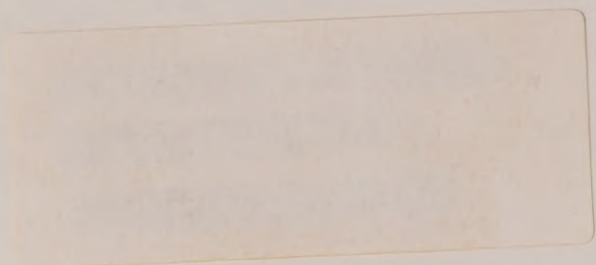
GENERAL

Exchange fluctuations at the beginning of 1931 were possibly as narrow as have occurred since pre-war days, but by the end of the year they were moving in a manner reminiscent of the 1920-21 period when most currencies of the world were suffering acutely from the lack of an internationally acceptable monetary base. Apart from flurries in the Spanish peseta caused by political happenings, and temporary appearances of strain visible upon the pound sterling, the opening months were comparatively uneventful. It was not until May, when reports of higher income tax rates proposed by the German government precipitated a heavy outward movement of capital from Germany, that any concern was manifest regarding the exchange question. Foreign credits and finally the Hoover moratorium proposal made late in June were instrumental in restoring confidence in the reichsmark. Sterling was subject to considerable pressure at this time, because of assistance given to Germany, and in July this became so strong that £20,000,000 in gold had to be exported during a single week. An international credit of \$250,000,000 placed at the British Treasury's disposal was eaten up by the outflow to be followed by a further loan of \$400,000,000 raised by the United States and France about the beginning of September. When even this failed to stem the tide, the gold standard was abandoned on September 20th, and within a week sterling quotations at New York dropped from \$4.84 7/8 to \$3.70. Subsequently, many nations were likewise forced to abandon gold largely because of the uneasiness of foreign investors. After the collapse of sterling, pressure centred upon the U.S. dollar, necessitating the export of about \$750,000,000 in gold between September 21st and the end of October, with the greater part going to France. Two increases in the New York Reserve bank rate followed by reassuring statements from the French Premier at the time of his visit to the United States early in November, checked this movement and a return flow commenced. During December the German reichsmark again occupied a precarious position due to political considerations, but it was successfully supported as the year closed. Japan was the last major country to suspend gold shipments during 1931, leaving as the only free gold countries, the United States, France, Holland, Switzerland, Belgium, Italy, Poland, Roumania, South Africa, and a number of Latin-American powers whose currencies have been held in line with the U.S. dollar.

CANADIAN EXCHANGE, 1931

The Canadian dollar was subject to pressure throughout the greater part of 1931. The New York gold export point was passed in January and June, while in all months subsequent, the dollar was steadily below this level. During November and December, discounts on the Canadian dollar at New York were very high, running commonly in the neighbourhood of 20 per cent. As the year closed Canadian funds were at a premium in terms of the pound sterling, the Scandinavian kroner, the Argentine peso, the Brazilian milreis, the Indian rupee and the Hongkong dollar. They were at a discount in terms of the U.S. dollar, the French and Swiss francs, the German reichsmark, the Italian lira and the Dutch guilder. The following table shows monthly averages of a flat rate quoted on more important currencies at Montreal during 1931.

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